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Jilin Province Chuncheng Heating Company Limited*

吉林省春城熱力股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1853)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS FOR THE 2023 RESULTS ANNOUNCEMENT

- The revenue of the Group for the year ended 31 December 2023 was RMB1,694.42 million, representing an increase of 2.40% over the comparative figure of 2022.
- The profit before tax of the Group for the year ended 31 December 2023 was RMB168.47 million, representing an increase of 1.71% over the comparative figure of 2022.
- The net profit attributable to equity holders of the Group for the year ended 31 December 2023 was RMB120.96 million, representing an increase of 5.49% over the comparative figure of 2022.
- Earnings per Share for the year ended 31 December 2023 was RMB0.26, representing an increase of RMB0.01 over the comparative figure of 2022.
- The Board proposed the distribution of a final dividend of RMB0.09 per Share (tax inclusive) for the year ended 31 December 2023.

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022. The results were prepared in accordance with the disclosure requirements under the ASBEs.

FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

COMBINED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31 December 2023	31 December 2022
CURRENT ASSETS:			
Monetary fund		1,117,641,609.91	1,034,436,102.05
Financial assets measured at fair value through profit or loss		—	—
Held-for-trading financial assets		—	—
Derivative financial assets		—	—
Bills receivable		—	—
Trade receivables	6	145,484,702.63	139,825,918.08
Trade receivables financing		—	—
Prepayments		560,281,310.77	587,425,208.07
Other receivables		19,880,079.38	17,686,677.50
Inventories		6,713,395.63	7,487,869.38
Contract assets	7	65,115,247.85	89,363,130.11
Assets held for sale		—	—
Non-current assets due within one year		—	—
Other current assets		26,982,649.84	17,263,647.13
TOTAL CURRENT ASSETS		<u>1,942,098,996.01</u>	<u>1,893,488,552.32</u>

ASSETS	<i>Notes</i>	31 December 2023	31 December 2022
NON-CURRENT ASSETS:			
Available-for-sale financial assets		—	—
Held-to-maturity investments		—	—
Debt investments		—	—
Other debt investments		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		—	26,982.27
Fixed assets		897,056,268.51	984,808,829.76
Construction-in-progress		15,297,566.99	16,637,053.27
Biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		9,151,063.82	708,603.37
Intangible assets		14,605,254.11	14,687,456.32
Development costs		—	—
Goodwill		74,847,680.43	74,847,680.43
Long-term deferred expenditures		52,873.11	508,668.09
Deferred income tax assets		53,483,180.47	53,261,130.98
Other non-current assets		—	—
TOTAL NON-CURRENT ASSETS		<u>1,064,493,887.44</u>	<u>1,145,486,404.49</u>
TOTAL ASSETS		<u>3,006,592,883.45</u>	<u>3,038,974,956.81</u>

LIABILITIES AND EQUITY	<i>Notes</i>	31 December 2023	31 December 2022
CURRENT LIABILITIES:			
Short-term borrowings		—	234,000,000.00
Financial liabilities measured at fair value through profit or loss		—	—
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Bills payable		183,130,000.00	—
Trade payables	8	197,585,314.62	199,672,999.06
Advances		—	—
Contract liabilities	9	1,381,513,668.23	1,410,922,916.32
Salaries payable		99,420,557.57	103,693,668.18
Tax payable		21,219,468.29	37,339,588.27
Other payables		16,090,642.48	21,365,983.70
Liabilities held for sale		—	—
Non-current liabilities due within one year		2,733,983.62	476,190.47
Other current liabilities		13,028.63	17,836.40
		<u>1,901,706,663.44</u>	<u>2,007,489,182.40</u>
TOTAL CURRENT LIABILITIES			
NON-CURRENT LIABILITIES:			
Long-term borrowings		—	—
Bonds payable		—	—
Of which: Preference shares		—	—
Perpetual bonds		—	—
Lease liabilities		6,398,770.88	—
Long-term payables		2,584,506.04	2,775,074.00
Long-term salaries payable		31,338,188.24	29,559,928.24
Estimated liabilities		—	—
Deferred income		39,773,519.76	44,188,783.40
Deferred income tax liabilities		33,502,589.18	41,263,242.91
Other non-current liabilities		1,442,167.11	1,797,307.74
		<u>115,039,741.21</u>	<u>119,584,336.29</u>
TOTAL NON-CURRENT LIABILITIES			
		<u>2,016,746,404.65</u>	<u>2,127,073,518.69</u>
TOTAL LIABILITIES			

LIABILITIES AND EQUITY	<i>Notes</i>	31 December 2023	31 December 2022
EQUITY:			
Share capital		466,700,000.00	466,700,000.00
Other equity instruments		—	—
Of which: Preference shares		—	—
Perpetual bonds		—	—
Capital reserve		—	—
Less: Treasury stock		—	—
Other comprehensive income		(2,786,642.82)	(1,786,642.82)
Special reserves		25,636,436.53	25,643,923.18
Surplus reserve		38,565,035.73	29,831,863.56
Undistributed profits		<u>461,731,649.36</u>	<u>391,512,294.20</u>
 Total owners' equity attributable to the parent company		 <u>989,846,478.80</u>	 <u>911,901,438.12</u>
 Minority interests		 <u>—</u>	 <u>—</u>
 TOTAL EQUITY		 <u>989,846,478.80</u>	 <u>911,901,438.12</u>
 TOTAL LIABILITIES AND EQUITY		 <u>3,006,592,883.45</u>	 <u>3,038,974,956.81</u>

COMBINED INCOME STATEMENT

Item	Notes	2023	2022
I. TOTAL OPERATING INCOME	5,10	1,694,416,835.88	1,654,705,152.68
Less: Operating costs	10	1,428,526,474.25	1,424,056,759.56
Taxes and surcharges		4,547,238.86	4,460,519.44
Selling expenses		1,825,236.87	1,735,600.28
Administrative expenses		100,537,572.65	99,230,886.70
Research and development expenses		2,317,798.09	1,974,740.89
Finance costs		(4,466,812.57)	(13,484,950.49)
Of which: Interest expenses		12,114,895.93	9,941,875.67
Interest income		17,274,669.76	21,389,734.42
Add: Other income		12,231,569.75	11,933,281.37
Investment income		—	—
Of which: Investment income from associates and joint ventures		—	—
Gain on derecognition of financial assets measured at amortized cost		—	—
Net gain from hedging exposure		—	—
Gain on changes in fair value		—	—
Credit impairment loss		(3,571,744.49)	32,935,049.77
Impairment loss on assets		(32,058.81)	(17,095,441.97)
Gain on disposal of assets		—	13,021.19
II. OPERATING PROFIT		169,757,094.18	164,517,506.66
Add: Non-operating income		1,014,761.87	1,435,727.08
Less: Non-operating expenses		2,300,071.57	308,250.32
III. TOTAL PROFIT		168,471,784.48	165,644,983.42
Less: Income tax expenses	11	47,516,257.15	50,977,005.96

Item	<i>Notes</i>	2023	2022
IV. NET PROFIT		<u>120,955,527.33</u>	<u>114,667,977.46</u>
Of which: Net profit realized by the acquire of the business combination under common control before the combination			
(I) Classified by continuity of operation:			
Net profit from continuing operation		120,955,527.33	114,667,977.46
Net profit from discontinued operation		—	—
(II) Classified by ownership:			
Net profit attributable to owners of the parent company		120,955,527.33	114,667,977.46
Minority interests		—	—
V. OTHER COMPREHENSIVE INCOME, NET OF TAX		<u>(1,000,000.00)</u>	<u>(157,500.00)</u>
Other comprehensive income attributable to owners of the parent company, net of tax		<u>(1,000,000.00)</u>	<u>(157,500.00)</u>
(I) Other comprehensive income that may not be reclassified to profit or loss		<u>(1,000,000.00)</u>	<u>(157,500.00)</u>
1. Net changes from re-measurement of defined benefit plans		(1,000,000.00)	(157,500.00)
2. Other comprehensive income that may not be transferred to profit or loss under the equity method		—	—
3. Changes in fair value of other equity instrument investments		—	—
4. Changes in fair value of the company's own credit risk		—	—
5. Others		—	—

Item	<i>Notes</i>	2023	2022
(II) Other comprehensive income that may be reclassified to profit or loss		—	—
1. Other comprehensive income that may be transferred to profit or loss under the equity method		—	—
2. Changes in fair value of available-for-sale financial assets		—	—
Other comprehensive income attributable to minority shareholders, net of tax		—	—
VI. TOTAL COMPREHENSIVE INCOME		<u>119,955,527.33</u>	<u>114,510,477.46</u>
Total comprehensive income attributable to owners of the parent company		119,955,527.33	114,510,477.46
Total comprehensive income attributable to minority shareholders		—	—
VII. EARNINGS PER SHARE:			
(I) Basic earnings per share	<i>12</i>	0.26	0.25
(II) Diluted earnings per share	<i>12</i>	0.26	0.25

NOTES OF FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Jilin Province Chuncheng Heating Company Limited (the “Company”), formerly known as “Jilin Province Changre New Energy Co., Ltd.” or “Jilin Province Chuncheng Heating Limited Liability Company”, is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”) on 23 October 2017. The registered office of the Company is located at No. 28, Block B (Hongcheng Xiyu), Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province.

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 24 October 2019.

During the year, the Company and its subsidiaries (collectively, the “Group”) were involved in the following principal activities:

- (1) Heat supply, including the provision and distribution of heat, pipeline connection fee and heat transmission;
- (2) Construction, maintenance, design and others.

The controlling shareholder of the Company is Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), previously known as Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), a company established in the PRC and wholly-owned by the State-owned Assets Supervision and Administration Commission of Changchun (the “SASAC Changchun”) (長春市人民政府國有資產監督管理委員會).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company carried out recognition and measurement based on actual transactions and events occurred and in accordance with the requirements of the Accounting Standards for Business Enterprises — Basic Standards (《企業會計準則—基本準則》) and specific accounting standards for business enterprises, the Application Guidance for Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant requirements (hereafter collectively referred as “ASBEs”) published by the Ministry of Finance of the PRC, and on the basis of such requirements, prepared the financial statements with regards to the requirements of the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reports (2023 Revision) issued by the China Securities Regulatory Commission (the “CSRC”).

3. GOING CONCERN

The Company has assessed its ability to continue as a going concern for the next 12 months from the end of the Reporting Period, and has not identified any matters or circumstances that cast significant doubt on the Company’s ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern assumption.

4. ACCOUNTING ERRORS IN PREVIOUS PERIOD

Nil.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group considers the business from the perspective of service activities, which mainly include the following two reportable segments:

- (1) Heat supply, including the provision and distribution of heat, pipeline connection fee and heat transmission;
- (2) Construction, maintenance and design services and others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The operating segments are each managed separately because they distribute distinct products/services with different production/distribution processes and due to their distinct operating and gross margin characteristics. Segment performance is evaluated based on reportable segment profit/loss, which is measured consistently with the Group's profit/loss before tax.

Intersegment sales and transfers are conducted with reference to the selling prices used for sales made to third parties at the contractual prices which are comparable to prevailing market prices.

Unit: RMB

Year ended 31 December 2023	Heat supply	Construction, maintenance and design services and others	Total
Segment revenue	1,576,503,226.62	212,285,644.28	1,788,788,870.90
Sales to external customers	1,570,725,340.02	123,691,495.86	1,694,416,835.88
Intersegment sales	<u>5,777,886.60</u>	<u>88,594,148.42</u>	<u>94,372,035.02</u>

Reconciliation:

Elimination of intersegment sales			<u>(94,372,035.02)</u>
			<u>1,694,416,835.88</u>

Year ended 31 December 2022	Heat supply	Construction, maintenance and design services and others	Total
Segment revenue	1,544,773,639.68	206,751,114.66	1,751,524,754.34
Sales to external customers	1,538,419,575.87	116,285,576.81	1,654,705,152.68
Intersegment sales	<u>6,354,063.81</u>	<u>90,465,537.85</u>	<u>96,819,601.66</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(96,819,601.66)</u>
			<u><u>1,654,705,152.68</u></u>

6. TRADE RECEIVABLES

Unit: RMB

Ageing	2023	2022
Within 1 year	108,515,193.83	107,633,751.13
1–2 years	25,904,931.63	30,085,813.21
2–3 years	26,135,489.12	14,284,030.74
3–4 years	10,775,292.73	28,117,661.93
4–5 years	9,625,560.60	3,295,453.89
Over 5 years	<u>14,581,959.35</u>	<u>14,493,004.42</u>
Sub-total	<u>195,538,427.26</u>	<u>197,909,715.32</u>
Less: Provision for bad debts	<u>50,053,724.63</u>	<u>58,083,797.24</u>
Total	<u>145,484,702.63</u>	<u>139,825,918.08</u>

7. CONTRACT ASSETS

Unit: RMB

Item	2023			2022		
	Balance of carrying amount	Impairment provision	Carrying amount	Balance of carrying amount	Impairment provision	Carrying amount
Work completed but not billed	113,514,374.22	52,143,556.18	61,370,818.04	133,456,297.15	53,508,511.47	79,947,785.68
Warranty	<u>9,533,356.68</u>	<u>5,788,926.87</u>	<u>3,744,429.81</u>	<u>13,969,863.36</u>	<u>4,554,518.93</u>	<u>9,415,344.43</u>
Total	<u><u>123,047,730.90</u></u>	<u><u>57,932,483.05</u></u>	<u><u>65,115,247.85</u></u>	<u><u>147,426,160.51</u></u>	<u><u>58,063,030.40</u></u>	<u><u>89,363,130.11</u></u>

8. TRADE PAYABLES

Unit: RMB

Item	2023	2022
Within 1 year	129,093,997.38	123,710,953.73
1 to 2 years	59,366,974.70	36,955,161.11
2 to 3 years	2,388,626.14	2,970,168.17
Over 3 years	<u>6,735,716.40</u>	<u>36,036,716.05</u>
Total	<u><u>197,585,314.62</u></u>	<u><u>199,672,999.06</u></u>

9. CONTRACT LIABILITIES

Unit: RMB

Item	2023	2022
Advance heating fee	864,090,605.87	914,243,778.22
Pipeline connection fee	512,513,296.45	490,313,343.20
Custodian fee	2,298,695.48	2,450,323.22
Advance project payments	<u>2,611,070.43</u>	<u>3,915,471.68</u>
Total	<u><u>1,381,513,668.23</u></u>	<u><u>1,410,922,916.32</u></u>

10. OPERATING INCOME AND OPERATING COSTS

Unit: RMB

Item	2023		2022	
	Income	Cost	Income	Cost
Principal business	1,686,741,522.54	1,426,259,218.50	1,639,354,319.99	1,413,599,530.54
Other businesses	<u>7,675,313.34</u>	<u>2,267,255.75</u>	<u>15,350,832.69</u>	<u>10,457,229.02</u>
Total	<u><u>1,694,416,835.88</u></u>	<u><u>1,428,526,474.25</u></u>	<u><u>1,654,705,152.68</u></u>	<u><u>1,424,056,759.56</u></u>

11. INCOME TAX EXPENSES

Unit: RMB

1. List of income tax expenses

Item	2023	2022
Current income tax expenses	55,218,960.37	54,464,797.34
Deferred income tax expenses	<u>(7,702,703.22)</u>	<u>(3,487,791.38)</u>
Total	<u><u>47,516,257.15</u></u>	<u><u>50,977,005.96</u></u>

2. Reconciliation between accounting profit and income tax expenses

Item	2023	2022
Total profit	168,471,784.48	165,644,983.42
Income tax expenses calculated at statutory/applicable tax rates	42,117,946.12	41,411,245.86
Effect of different tax rates applicable to subsidiaries	399,263.71	(801,046.87)
Effect of adjustments to income tax on prior periods	(16,069.39)	936,321.88
Effect of non-taxable income	—	—
Effect of non-deductible costs, expenses and losses	826,781.19	205,377.73
Effect of deductible loss on utilisation of deferred income tax assets that were not recognised in the previous period	(1,004,896.70)	(472,884.14)
Effect of deductible temporary difference or deductible loss on deferred income tax assets that were not recognised in the current period	5,193,232.22	9,697,991.50
Others	<u>—</u>	<u>—</u>
Income tax expenses	<u><u>47,516,257.15</u></u>	<u><u>50,977,005.96</u></u>

12. RETURN ON NET ASSETS AND EARNINGS PER SHARE

Unit: RMB

Profit during the Reporting Period	Weighted average return rate on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	12.71	0.26	0.26
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	<u>11.77</u>	<u>0.24</u>	<u>0.24</u>

13. DIVIDEND

Unit: RMB

Item	2023	2022
Final dividend proposed after the end of the Reporting Period of RMB0.09 (2022: RMB0.09) per share	<u>42,003,000.00</u>	<u>42,003,000.00</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. Industry Overview

With the progress of China's urbanization, the urban construction area continues to grow and the urban residents' demand for heat supply increases accordingly, which drives the rapid development of the urban heating industry in China. Currently, China's urban centralized heating is mainly distributed in Northeast China, North China and Northwest China. Cogeneration, the main way for urban centralized heating, has become the first choice of heat supply companies with its high-heat-efficiency and low-air-pollution advantages.

In recent years, the penetration rate of urban heating has been growing along with the gradual increasing penetration rate of heating in southern China and the higher requirements of people for life quality driven by economic development. According to statistics from the National Bureau of Statistics, by the end of 2022, the national total heating service area increased from 8.781 billion square metres in 2018 to 11.125 billion square metres in 2022, representing an average annual growth rate of 6.09%, and the pipes length of centralized heating grew from 371,100 kilometres in 2018 to 493,400 kilometres, representing an average annual growth rate of 7.38%.

In the context of the development of national strategies such as energy control, carbon strategy and environmental protection and emission reduction, the State Council and the National Energy Administration have successively issued several documents, including the *Guiding Opinions of the State Council on Accelerating the Establishment and Improvement of a Green, Low-Carbon and Circular Development Economic System* (國務院關於加快建立健全綠色低碳循環發展經濟體系的指導意見), the *Comprehensive Work Plan for Energy Conservation and Emission Reduction for the "14th Five-Year Plan" Period* (《“十四五”節能減排綜合工作方案》), and the *Notice on Promoting Renewable Energy Heating Work According to Local Conditions* (《關於因地制宜做好可再生能源供暖工作的通知》). These documents continue to promote the green and low-carbon transformation of energy system and facilitate the efficient development, conversion and utilization of clean coal, which lay a solid foundation for the green and sustainable development of the centralized heating industry.

In the future, the deepening reform on the heating industry will drive the intelligent and digital development of the heating equipment, which means that smart heating will become an inevitable trend for the development of the heating industry. With the maturity and industrial application of new technologies such as big data, cloud computing and artificial intelligence, smart heating will replace traditional heating, and realize the control of the whole heating process from heat source, thermal power stations, pipeline network to end users, thereby ensuring more accurate heating temperature, more reasonable energy utilization and more comfortable user experience.

II. Business Review

In 2023, Chinese economy kept recovering. The Group actively and innovatively developed its heat supply and production as well as construction and maintenance and design services businesses, and promoted the cooperation in scientific and technological innovation, which helped it accomplish its goals of the year. During the Reporting Period, the Group achieved a total operating revenue of RMB1,694.42 million and a total profit of RMB168.47 million. As of 31 December 2023, the Group's total assets amounted to RMB3,006.59 million and the owners' equity attributable to shareholders of the listed company amounted to RMB989.85 million.

(1) *Heat Supply Business*

In 2023, heat supply business is the Group's core business. While ensuring the stable development of its heat supply business, the Group responded to the national strategies of achieving "carbon emission peak and carbon neutrality" by continuing to consolidate measures for environmental protection and emission reduction for energy saving and consumption reduction, and accelerating the development of smart and digitalized heat supply systems for precise control of each link in heat supply system. During the year, the overall profit of the Group's heat supply business increased steadily as compared with that of the previous period.

For the year ended 31 December 2023, the Group's heat service area was approximately 67.117 million sq.m., representing an increase of 1.907 million sq.m. or 2.92% from 65.21 million sq.m. in 2022, and the Group had 551,558 heat supply customers, representing an increase of 18,190 users or 3.41% from 533,368 in 2022. For the year ended 31 December 2023, the Group's revenue from heat supply business was RMB1,570.73 million, representing an increase of RMB32.31 million or 2.10% from RMB1,538.42 million in 2022.

1. Customers

Customers of the Group's heat supply business are generally residential and non-residential users within the Group's heat service area. The table below sets out a breakdown of the number of, and revenue contribution by, residential and non-residential users of the Group for the year ended 31 December 2023.

	As at/for the year ended 31 December			
	2023		2022	
	Number of customers	% of revenue from heat supply	Number of customers	% of revenue from heat supply
Residential users ⁽¹⁾	493,271	89.43%	470,019	88.12%
Non-residential users ⁽²⁾	<u>58,287</u>	<u>10.57%</u>	<u>63,349</u>	<u>11.88%</u>
Total	<u>551,558</u>	<u>100%</u>	<u>533,368</u>	<u>100%</u>

Notes:

(1) The number of residential users is per household.

(2) Non-residential users represent end-users other than residential users, such as industrial end-users, commercial end-users and other end-users.

2. Heat procurement

In recent years, the government has been gradually launching projects in pilot cities for clean heating in the north, and the Group has strictly followed the principle of “achieving energy conservation and environmental protection through unified planning” set by Changchun Urban and Rural Development Committee (長春市建委), continued its model of providing heat supply from clean energy sources with cogeneration as the main source for the purpose of providing heating services to heat users within its jurisdiction in winter. During the Reporting Period, for the purpose of meeting the demand from the Group's additional heat service area, apart from purchasing cogeneration power from the four thermal power plants, the Group also purchased heat from peak-shaving boilers of Chuncheng Investment, its controlling shareholder, for heating. In addition, Xixing Energy and Chuncheng Biomass, both the Group's subsidiaries, produced heat through their own coal-fired boilers and biomass fuels respectively for heat supply.

For the year ended 31 December 2023, the total heat procurement by the Group from local cogeneration plants and its controlling shareholder, Chuncheng Investment, amounted to 19.92 million GJ and 3.04 million GJ respectively, with a total heat procurement of 22.96 million GJ, among which 20.69 million GJ of heat was used for the Group's heat supply and production purposes.

3. Heat transmission

For the year ended 31 December 2023, approximately 2.26 million GJ of heat procurement quota obtained from the cogeneration plants and Chuncheng Investment, the controlling shareholder, by the Group was transferred to four other heat service providers. The Group received a total heat transmission fee of RMB18.71 million from such four heat service providers.

The following table sets forth the breakdown of the usage of the Group's heat procurement for the year ended 31 December 2023:

	As at/for the year ended 31 December	
	2023	2022
Estimated heat procurement quota (GJ) ⁽¹⁾	23,380,000	23,380,000
Heat procurement quota transferred (GJ) ⁽²⁾	2,263,513	3,254,915
Actual consumption (GJ) ⁽³⁾	20,694,183	20,981,983
Total heat procured (GJ) ⁽⁴⁾	22,957,696	24,236,898
Utilization rate ⁽⁵⁾	88.51 %	89.74%

Notes:

- (1) The heat procurement quota was an estimate of the heat procurement prior to each heat supply period based on the historical heat procurement amount.
- (2) During the Reporting Period, the Group transferred certain portion of procured heat to four other heat service providers. The Group charged heat transmission fees accordingly.
- (3) Actual consumption of heat procured by the Group represents the aggregate amount of actual heat supply and consumption data each month as recorded by measuring equipment and reviewed and agreed by each of four local cogeneration plants and the controlling shareholder, Chuncheng Investment, and the Group.
- (4) The total heat procured was the sum of heat procurement quota transferred and the actual consumption. Procurement of heat exceeding the estimated heat procurement quota is subject to the supplemental agreements between the cogeneration plants and the Group.
- (5) Utilization rate of heat procurement is calculated by dividing the actual consumption by the estimated heat procurement quota.

(2) Construction, Maintenance, Design and Others

The Group's construction, maintenance, design and others cover the peripheral services business of the heat supply industry chain. The Group mainly provides services include engineering construction, engineering maintenance, design services and so on for heat supply companies or end-users. These services mainly cover northeast China. For the year ended 31 December 2023, revenue generated from the Group's construction, maintenance and design services and others amounted to RMB123.69 million, representing an increase of RMB7.40 million, or 6.37%, from RMB116.29 million in 2022.

The engineering construction business undertook a total of 139 projects during the year, of which 132 were completed, including key projects such as the 2022 Jingyue High-tech Industrial Development Zone Urban Aging Gas Pipeline Replacement and Improvement Project in Changchun, Jilin Province (吉林省長春淨月高新技術產業開發區2022年城市燃氣管道老化更新改造項目), the 2022 Urban Aging Gas Pipeline Replacement and Improvement Project in Chaoyang District, Changchun, Jilin Province (吉林省長春市朝陽區2022年城市燃氣管道等老化更新改造項目) and the First and Second Heating Network Improvement Project for the Shanty Town of Jida Land in Nanguan District (南關區吉大地塊棚戶區採暖一、二次網改造工程). During the year, while ensuring the quality and progress of the projects, the Group paid more attention to the safety management in the construction.

The engineering maintenance business undertook a total of 99 projects during the year, of which 95 were completed, including large-scale pipeline network rearrangement project such as the construction of the road network around Fuzhi Road in Nanguan District, Changchun City, Jilin Province, and two major heating pipeline renovation projects such as the 2022 urban gas pipeline aging renovation project in Lvyuan District, Changchun City, Jilin Province and the 2022 urban gas pipeline aging renovation project in Erdao District, Changchun City, Jilin Province. To fully ensure the successful implementation of the construction, the Group continued to improve the project management standards and implemented in strict accordance with the construction plan to secure safety production and effectively ensure project quality.

The design services business undertook and completed 29 projects during the year, including key projects such as the centralized heat supply project in the Chaganhot tourism economic development zone, the heating infrastructure maintenance and renovation project for the Wangqing County Forest Industry and heat exchange station improvement project of Keyou Zhongqi Zhongyuan Thermal Power Co., Ltd.. This year, the Group focused on improving the overall core competencies of its design team. In particular, the Group continued to increase its investment in technological innovation and R&D projects. During the year, 3 new utility model patents were granted by the China National Intellectual Property Administration, and 1 paper was published in national journals.

(3) Safety Management

In 2023, the Group has comprehensively implemented all major decisions and deployments from the government at all levels with regard to safety production. Specifically, the Group adhered to the safety production policy of “safety first, with focus on prevention and implementing comprehensive management (安全第一、預防為主、綜合治理)” and implemented safety responsibilities at all levels from top to bottom. The Group strictly complied with various safety production rules and regulations and ensured the successful completion of its annual safety targets by implementing dual prevention mechanisms for safety production, conducting annual safety production assessment and evaluation, safety supervision and inspection, safety production training and drills, fire-fighting equipment inspection and replacement, etc. During the Reporting Period, the Group did not have any major safety accidents.

(4) Technology and R&D

In 2023, the Digital Intelligence Integration Project for Heat Supply of Chuncheng Heating, a project developed by the Group in cooperation with Huawei Cloud Computing Technology Co., Ltd. (華為雲計算技術有限公司), was put into use. Based on the existing production and related data of the Group, the system establishes a standardized information database and creates a set of guidance strategies based on the Group’s heat supply by continuously optimizing business processes and strategies through cloud data analysis by the intelligent heating control platform of Huawei. With AI intelligent automatic regulation, the Group’s intelligent heating systems are more reasonable, scientific and precise, which can maximally reduce energy consumption while maintaining the quality of heating supply.

The Group has developed the “Equipment Ledger Management System” (設備台賬管理系統) based on the actual needs of equipment management. Currently, some functions of the PC and mobile terminals are being developed and optimized, with overall progress approaching 90%, and it is expected to be officially launched and put into use in 2024. The system will further enhance the digital management level of the Group’s equipment assets.

During the Reporting Period, the Group obtained a total of 7 utility model patents issued by the China National Intellectual Property Administration and 9 computer software copyright certificates issued by the National Copyright Administration.

(5) Honors and Awards

On 18 January 2023, the Group was awarded the “2022 Advanced Unit of Mayor’s Citizen Hotline” (2022年度市長公開電話工作先進單位) by the General Office of Changchun Municipal People’s Government.

On 17 February 2023, the Group’s Pipelines Company won the “Third Prize under Team Category” (團體三等獎) award in the “Welding Skills Competition of Construction Industry in Jilin Province” (吉林省建築行業焊接技能大賽).

On 19 May 2023, the Group was awarded “Jilin Province Data Management Excellent Application Cases of 2023” (2023吉林省數據管理優秀應用案例) by the Jilin Province Digital Economy Development Promotion Association* (吉林省數字經濟發展促進會) and Jilin Province Information Technology Application Association* (吉林省信息技術應用協會).

In November 2023, the Group’s Apparatus Company was recognized as a “High and New Tech Enterprise” jointly by the Department of Science and Technology of Jilin Province, the Department of Finance of Jilin Province and the Jilin Provincial Taxation Bureau of the State Administration of Taxation.

III. Financial Position and Operating Results

(1) Revenue

The Group's revenue increased by 2.40% to RMB1,694.42 million in 2023 as compared with RMB1,654.71 million in 2022, which was mainly attributed to (i) an increase in revenue from business of provision and distribution of heat of RMB34.43 million as a result of the increase in heat service area; and(ii)the revenue from the Group's engineering construction business increased by RMB5.88 million due to undertaking of projects during the year.

	2023	2022	Change in
	RMB'000	RMB'000	percentage
Heat supply, of which:			
Provision and distribution of heat	1,482,234	1,447,806	2.38%
Pipeline connection fee	69,781	71,261	(2.08)%
Heat transmission	18,710	19,353	(3.32)%
Subtotal	<u>1,570,725</u>	<u>1,538,420</u>	<u>2.10%</u>
Construction, maintenance and design services and others, of which:			
Engineering construction	49,699	43,819	13.42%
Engineering maintenance	23,642	26,481	(10.72)%
Design services	7,869	7,824	0.58%
Others	42,481	38,161	11.32%
Subtotal	<u>123,692</u>	<u>116,285</u>	<u>6.37%</u>
Total	<u>1,694,417</u>	<u>1,654,705</u>	<u>2.40%</u>

(2) *Other Income and Other Net Gains*

The Group's other income and other net gains decreased by 12.23% to RMB30.52 million in 2023 as compared with RMB34.76 million in the same period of 2022, mainly due to the decrease in interest income.

(3) *Operating Costs*

The Group's operating costs increased by 0.31% to RMB1,428.53 million in 2023 as compared with RMB1,424.06 million in 2022.

The following table sets out the breakdown of the operating costs by business segment:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	Change in percentage
Operating costs by business segment			
Heat supply	1,333,808	1,339,963	(0.46%)
Construction, maintenance, design and others	<u>94,718</u>	<u>84,094</u>	<u>12.63%</u>
Total	<u><u>1,428,526</u></u>	<u><u>1,424,057</u></u>	<u><u>0.31%</u></u>

Heat supply costs

Operating costs for heat supply business primarily consists of heat procurement costs in connection with heat procurement from local cogeneration plants and the controlling shareholder, cost of purchase of coal for heat produced by coal-fired boilers, repair and labor cost (primarily includes wages, salaries and benefits for our employees involved in the provision and distribution of heat) and utility costs. The breakdown of operating costs by heat supply business segment is as follows:

	2023	2022	Change in
	RMB'000	RMB'000	percentage
Operating costs for heat supply			
Heat procurement costs	750,564	767,281	(2.18%)
Coal	43,594	62,660	(30.43%)
Maintenance and repair	121,971	82,478	47.88%
Labor	146,363	152,075	(3.76%)
Depreciation and amortization	127,948	130,951	(2.29%)
Utility	72,673	77,267	(5.95%)
Input VAT transferred out	53,903	52,758	2.17%
Others	16,793	14,494	15.86%
Total	<u>1,333,808</u>	<u>1,339,963</u>	<u>(0.46%)</u>

In 2023, the Group's heat procurement costs amounted to RMB750.56 million as compared with RMB767.28 million in 2022, which remained largely stable as compared with 2022.

In 2023, the Group's coal cost decreased by 30.43% to RMB43.59 million as compared with RMB62.66 million in 2022, primarily due to the reduction in coal cost resulted from the lower coal consumption as a result of the partial adoption of purchased heat sources by Xixing Energy in 2023.

In 2023, the Group's maintenance and repair costs increased by 47.88% to RMB121.97 million as compared with RMB82.48 million in 2022, primarily due to more external maintenance projects during the current period.

In 2023, the Group's labor cost amounted to RMB146.36 million as compared with RMB152.08 million in 2022, which remained largely stable as compared with 2022.

In 2023, the Group's depreciation and amortization amounted to RMB127.95 million as compared with RMB130.95 million in 2022. Depreciation and amortization costs in 2023 remained largely stable as compared with 2022.

In 2023, the Group's utility cost amounted to RMB72.67 million as compared with RMB77.27 million in 2022. Utility cost in 2023 remained largely stable as compared with 2022.

In 2023, the Group's input VAT transferred out increased by 2.17% to RMB53.90 million as compared with RMB52.76 million in 2022, which remained largely stable as compared with 2022.

In 2023, the Group's other cost increased by 15.86% to RMB16.79 million as compared with RMB14.49 million in 2022, primarily due to the increase in office expenses.

Costs for construction, maintenance, design and others

Operating costs for construction, maintenance, design and others primarily consists of cost of materials, labor, machinery and other costs. In 2023, the operating costs for construction, maintenance, design and others increased by 12.63% to RMB94.72 million as compared with RMB84.09 million in 2022. The increase in cost was mainly due to the increase in the cost of sales for coal.

(4) Gross Profit and Gross Profit Margin

In 2023, the Group's gross profit increased by 15.28% to RMB265.89 million as compared with RMB230.65 million in 2022.

In 2023, the Group's gross profit margin increased by 12.55% to 15.69% as compared with 13.94% in 2022. This was mainly due to the increase in the revenue from business of provision and distribution of heat as a result of the increase in heat service area during the current period, contributing to higher gross profit margins.

Gross profit and gross profit margin of the Group are set out as follows:

	2023	2022
	RMB'000	RMB'000
Operating revenue	1,694,417	1,654,705
Operating costs	1,428,526	1,424,057
Gross profit	265,891	230,648
Gross profit margin	15.69%	13.94%

(5) *Administrative Expenses*

In 2023, the Group's administrative expenses increased by 1.32% to RMB100.54 million as compared with RMB99.23 million in 2022, which remained largely stable as compared with 2022.

(6) *Finance Costs*

In 2023, the Group's finance costs increased by RMB9.01 million to RMB-4.47 million as compared with RMB-13.48 million in 2022, which was primarily due to the increase in interest expenses received and the decrease in interest income during the current period.

(7) *Income Tax Expenses*

In 2023, the Group's income tax expenses decreased by 6.79% to RMB47.52 million as compared with RMB50.98 million in 2022, which was principally due to the decrease in taxes payable as calculated in accordance with the Enterprise Income Tax Law and its relevant regulations and the income tax expenses for the current period decreased by RMB3.46 million as compared to the previous period.

(8) *Profit for the Year*

In 2023, the Group's profit for the year increased by 5.49% to RMB120.96 million as compared with RMB114.67 million in 2022. The increase was mainly due to an increase in heating area during the current period, contributing to the increase of revenue from business of provision and distribution of heat.

(9) *Profit Attributable to Owners of the Company*

In 2023, profit attributable to owners of the Company increased by 5.49% to RMB120.96 million as compared with RMB114.67 million in 2022. The increase in profit attributable to owners of the Company was in line with the increase in profit for the year.

(10) *Liquidity and Capital Resources*

The Group's cash and cash equivalents increased by 7.84% to RMB1,111.04 million as at 31 December 2023, as compared with the balance of RMB1,030.24 million as at 31 December 2022, which was primarily due to (i) the increase in net cash flow from operating activities of RMB399.34 million in 2023; and (ii) the decrease in consolidated net cash flow from investing activities and financing activities of RMB318.53 million in 2023. The main sources of the Company's operating capital were from (i) unutilised bank financing facilities of RMB466.00 million as at 31 December 2023; and (ii) its own funds accumulated from operating activities, as at 31 December 2023, cash and cash equivalents amounted to approximately RMB1,111.04 million. As at 31 December 2023, the Group's bank borrowing amounted to nil.

(11) *Capital Expenditure*

In 2023, the Group's capital expenditure decreased by 42.18% to RMB29.16 million as compared with RMB50.43 million in 2022. The decrease in capital expenditure was mainly attributable to decrease in the amount of fixed assets purchased.

(12) *Capital Structure*

As of 31 December 2023, the equity attributable to owners of the Group amounted to RMB989.85 million, which represents an increase of RMB77.95 million as compared to 31 December 2022, mainly due to the profit for the year.

Gearing ratio is the percentage of total interest-bearing liabilities (including interest-bearing bank and other borrowings and lease liabilities), net of cash and cash equivalents, to total equity at the end of each financial period. As at 31 December 2023, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.

IV. Risk Factors and Risk Management

(1) *Industry Risk*

The Group mainly competes with domestic heating service providers and new operators which just enter the market. If the Group is unable to continue to improve its service quality and operational efficiency nor effectively control its operating costs, its development and growth may be hindered in face of the increasingly fierce competition in the industry.

In 2021, the General Office of the State Council has stipulated the cancellation of the connection fee, construction fee of centralized pipeline network, grid connection support fee and other similar fees charged by urban centralized heating enterprises in the northern heating regions from the customers. As such, there is a risk of a gradual decline in the Group's future revenue from construction fees of pipeline network.

The Group will enhance its competitiveness through management level improvement, operating cost control and customer service optimization.

(2) *Policy Risk*

Urban heat supply, an industry for people's livelihood, is mainly led by the government. In recent years, the government has carried out policy guidance and standardization primarily regarding the ultra-low emission of coal-fired boilers, renovation of heating facilities in old residential districts, and energy-saving and efficiency improvement of urban buildings, etc. Therefore, the Group's relevant heat supply operations may need to be adjusted by changes in national policies. The government may also adjust the relevant prices in response to fluctuations in raw material costs, changes in the level of market demand or overall economic development. If the government fails to adjust the heating prices in this respect, the Group's profitability may be adversely affected.

Under the guidance of economic policies, industrial policies, and laws and regulations of governments at all levels, the Group will rationally plan its development goals and development direction. At the same time, the Group will enhance operational efficiency, promote the research and development and application of environmental protection technologies, adopt advanced environmental protection technologies and equipment, and strengthen the monitoring and treatment of emissions to comply with national environmental protection standards.

(3) *Climate Risk*

The heat supply cost of the Group's heat supply business is affected by weather conditions during heat supply season. In cold winter months with more extreme weather conditions, the Group needs to consume a higher amount of heat to maintain the indoor temperature of end-users at the required level, leading to an increase in the procurement of heat or the consumption of coal, which in turn increase the overall cost of heat supply, and vice versa.

The Group will increase its investment in technologies and innovation and continue to enhance its outcome in reducing consumption and increasing efficiency, so as to reward the community with even better quality of heat supply.

(4) *Exchange Risk*

The Group's business activities are mainly conducted in the PRC. Changes in exchange rates do not have a material effect on the Group.

(5) *Taxation risk*

The Group is entitled to tax incentives in respect of value-added tax and enterprise income tax. If the said tax incentives change in the future and the Group is no longer entitled to the relevant tax incentives, the Group's financial situation may be adversely affected.

The Group will strictly comply with the relevant tax policies, improve its financial systems and formulate scientific financial management plans.

V. Other Significant Events

(1) Significant Investments

The Group did not have any significant investments for the year ended 31 December 2023.

(2) Material Acquisitions and Disposals

The Group did not have any material acquisitions nor disposals for the year ended 31 December 2023.

(3) Capital Commitment and Contingent Liabilities

The Group did not have any material capital commitment nor contingent liabilities for the year ended 31 December 2023.

(4) Charge on Assets

There was no material charge on the Group's assets for the year ended 31 December 2023.

(5) Employees and Remuneration Policies

As at 31 December 2023, the Group had a total of 1,532 employees, all of whom are based in the PRC. In 2023, the Group maintained its existing employees' remuneration package which comprises basic salary, position salary and monthly and yearly performance incentives in accordance with the Measures for Employees' Wage Management (《勞動工資管理辦法》). The determination of remuneration which is based on both position value and performance appraisals helps motivate employees' contribution and dedication to the Group.

During the Reporting Period, the Group continued to improve its training system and training mechanism around the construction of a talent pool and the growth needs of its staff, established access for staff development and orderly conducted staff mobility strategies such as rotation and position competition in their day-to-day work so as to promote the development of the group entities and appreciation of human capital.

The relationship management of all employees of the Group strictly adheres to the requirements of national laws and regulations. The Group manages labor relations with its employees in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). The Group strictly abides by the requirements of national and local competent authorities, completes registrations for social insurance contributions and provides its employees with statutory benefits such as the Five Insurances and One Fund. The staff teams enjoy an overall harmonious labor relationship.

VI. Prospects and Outlook

In the future, the Group will thoroughly implement the national energy saving and emission reduction policies. The Group will enhance the quality of its services by focusing on people's livelihood services, and at the same time improve the convergence of the industrial chain and strengthen the synergy among industries in order to enhance the quality and efficiency of the Group.

(1) *Development of operating objectives*

The Group will continue to adhere to its overall development strategy and operating approach, and leverage on its advantages in regional coverage of the heat supply business to expand the development scale of its principal businesses, thereby continuing to consolidate and increase its market share. The Group will further enhance the service quality and service level of its construction, maintenance and design businesses. In addition, the Group will leverage on its advantages in the heat supply industry chain to build up its service brand as a state-owned enterprise and continue to increase its market share, thereby providing strong support for the development of the heat supply business.

(2) *Technology innovation and development*

The Group will continue to cooperate with top technology enterprises in the PRC. By increasing its investment in smart heating, the Group will continue to improve the functions of the smart heating platform system and promote the progress of digital intelligence integration of heat supply, so as to advance the comprehensive perception and intelligence integration of the heat supply system, thereby enhancing the level of management and control and technology of the Group, so as to ensure that the production process of heat supply can be operated in an orderly manner and reasonably regulated. At the same time, the Group will adopt various control strategies to implement precise heat supply and realise a more comfortable heating experience for customers, thus empowering the high-quality development of the heat supply industry.

(3) *Production and operation safety*

The Group will further strengthen the safety education and training, with a view to improve the safety awareness of all staff and their ability to identify, investigate and eliminate potential safety hazards and sources of danger as well as their ability to cope with unexpected accidents. These efforts are able to enhance the implementation of hazard investigation and elimination, improve the quality and effectiveness of safety drills, effectively protect the personal safety of employees, and ensure the safe and orderly production and operation of the Company's heat supply.

(4) *Corporate governance*

The Group will continue to strengthen the integration of the modern enterprise system with Chinese characteristics and the corporate governance system, give full play to the role of the Board in strategy formulation, decision-making and risk prevention, so as to further optimize the internal control system and enhance the ability to resist business risks.

Compliance with Corporate Governance Code

As a company listed on the Hong Kong Stock Exchange, the Company is committed to maintaining high standards of corporate governance. Save as disclosed below, the Company has complied with the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules at all times during the Reporting Period.

As disclosed in the Company’s announcement dated 6 March 2023, Mr. Liu Changchun (“**Mr. Liu**”) has tendered his resignation from the position as the Chairman of the Board and a non-executive Director with effect from 6 March 2023 due to work adjustments. Mr. Liu also ceased to be a member of the audit committee (the “**Audit Committee**”) and the chairman of the strategy committee (the “**Strategy Committee**”) with effect from 6 March 2023.

Following the resignation of Mr. Liu, the composition of the Audit Committee and the Strategy Committee failed to meet the following requirements under: (a) Rule 3.21 of the Listing Rules and Article 3 of the terms of reference of the Audit Committee that the Audit Committee shall comprise a minimum of three members; and (b) Article 3 of the terms of reference of the Strategy Committee that the Strategy Committee shall comprise three directors. Also, following Mr. Liu’s resignation, the office of the chairman of the Board becomes vacant which deviates from Code Provision C.2.1 of the CG Code. On 29 March 2023, the Company convened an extraordinary general meeting and Mr. Sun Huiyong (“**Mr. Sun**”) has been elected as a non-executive Director. Following Mr. Sun’s appointment as a non-executive Director, a Board meeting was held on the same day and appoint Mr. Sun as the Chairman of the Board. Mr. Sun also becomes a member of the Audit Committee and the chairman of the Strategy Committee with effect from 29 March 2023. Accordingly, the Company fulfils the minimum requirement prescribed under Rule 3.21 of the Listing Rules and the respective terms of reference of the Audit Committee and the Strategy Committee and re-complies with Code Provision C.2.1 of the CG Code with effect from 29 March 2023.

As disclosed in the Company’s announcement dated 21 March 2024, Mr. Sun has tendered his resignation from the position as the Chairman of the Board and a non-executive Director with effect from 21 March 2024 due to work adjustments. Mr. Sun also ceased to be a member of the Audit Committee and the chairman of the Strategy Committee with effect from 21 March 2024.

Following the resignation of Mr. Sun, the composition of the Audit Committee and the Strategy Committee failed to meet the following requirements under: (a) Rule 3.21 of the Listing Rules and Article 3 of the terms of reference of the Audit Committee that the Audit Committee shall comprise a minimum of three members; and (b) Article 3 of the terms of reference of the Strategy Committee that

the Strategy Committee shall comprise three directors. Also, following Mr. Sun's resignation, the office of the chairman of the Board becomes vacant which deviates from Code Provision C.2.1 of the CG Code.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct and rules governing the dealings by all of our Directors and supervisors (the “**Supervisors**”) in the securities of the Company. Having made specific enquiry with the Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the year ended 31 December 2023. The Company has also set up guidelines in respect of the dealings in the Company's securities by its relevant employees (as defined in the Listing Rules), which terms are no less exacting than those of the Model Code.

Directors' Responsibilities in relation to the Financial Statements

The Directors acknowledge their responsibility in relation to the preparation of the financial statements of the Company and to ensure that the financial statements of the Company are prepared in accordance with the relevant regulations and applicable accounting standards and that the financial statements of the Company are published in a timely manner.

Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities or redeemable securities for the year ended 31 December 2023.

Convertible Securities, Options, Warrants or Similar Rights

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or other similar rights nor exercised any conversion or subscription rights under any convertible securities, options, warrants or other similar rights issued or granted by the Company or any of its subsidiaries at any time.

Issue of Bonds

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries had issued any bonds.

Review of Annual Results

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of two members, namely Mr. Poon Pok Man and Mr. Wang Yuguo. Mr. Poon Pok Man is the chairman of the Audit Committee. The Audit Committee of the Company and the Company's independent auditors have reviewed the annual results of the Group for the year ended 31 December 2023 and agreed with the accounting method adopted by the Company.

Scope of Work of Da Hua Certified Public Accountants

The figures in respect of the Group's combined statement of financial position and combined statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Company's auditor, Da Hua Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year.

Final Dividend

The Board resolved to propose to the Shareholders at the AGM to be held on 17 May 2024, for their consideration and approval of the payment of a final dividend of RMB0.09 per Share (tax inclusive) (2022: RMB0.09 per Share) for the year ended 31 December 2023 (the “**2023 Final Dividend**”) payable to the Shareholders, whose names appear on the register of members of the Company on 5 June 2024, in an aggregate amount of approximately RMB42.00 million (2022: approximately RMB42.00 million). The 2023 Final Dividend will be denominated and declared in RMB. Dividends on Domestic Shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the AGM, the 2023 Final Dividend are expected to be paid on 5 July 2024.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of People's Republic of China (《中華人民共和國企業所得稅法實施條例》) implemented in 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% when distributing the 2023 Final Dividend to its non-resident enterprise Shareholders of overseas H Shares (including HKSCC Nominees Limited, other corporate nominees or trustees, or other entities and organizations) whose names appear on the H Shares register of members of the Company on 5 June 2024.

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No.348) (國家稅務總局國稅函[2011] 348號) and relevant laws and regulations, if the individual H Share Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the individual H Share Shareholders shall make self-assessment regarding whether they meet the conditions for enjoying the tax treaty benefits pursuant to the Announcement of the State Administration of Taxation ([2019] No.35) (國家稅務總局公告(2019年第35號)). If the Shareholders are entitled to such treaty benefits, they shall duly fill in the Information Reporting Form for Nonresident Taxpayers Claiming Treaty Benefits (《非居民納稅人享受協定待遇信息報告表》) and submit to the Company. After receiving and ensuring the completeness of information of the form, the Company will withhold the tax in accordance with the provisions of domestic tax laws and tax treaty, and duly submit the form as a schedule for withholding declaration to the competent tax authority. The Company will withhold the tax pursuant to the provisions of domestic tax laws for Shareholders whose Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits

has not been submitted or has missing information. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.

The Company will determine the country of domicile of the individual H Share Shareholders based on the registered address as recorded in the H Share register of members of the Company on 5 June 2024 (the “**Registered Address**”). If the country of domicile of an individual H Share Shareholder is not the same as the Registered Address or if the individual H Share Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Share Shareholder shall notify and provide relevant supporting documents to the Company on or before Wednesday, 29 May 2024. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Share Shareholders may either personally or appoint a proxy to attend to the procedures in accordance with the requirements under the tax treaty notice if they fail to provide the relevant supporting documents to the Company within the time period stated above.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share Shareholders or any disputes over the withholding mechanism or arrangements.

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H Shares of the Company.

According to the Articles of Association, the Hong Kong dollars required for the payment of cash dividends and other amount by the Company to the individual H Share Shareholders shall be arranged in accordance with the PRC regulations in relation to foreign exchange administration.

The Company was not aware of any arrangement under which a Shareholders has waived or agreed to waive any dividend for the year ended 31 December 2023.

AGM

The AGM will be held on Friday, 17 May 2024. A notice convening the AGM will be published and dispatched to the Shareholders (if requested) in the manner required by the Listing Rules in due course.

Closure of Register of Members

For the purpose of determining the Shareholders' rights to attend and vote at the AGM and the entitlement to the proposed 2023 Final Dividend, the register of members of the Company will be closed from Monday, 13 May 2024 to Friday, 17 May 2024 (both days inclusive) and from Thursday, 30 May 2024 to Wednesday, 5 June 2024 (both days inclusive) respectively, during which period no transfer of H Shares will be registered.

In order to be eligible to attend and vote at the forthcoming AGM, holders of H Shares shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 May 2024.

In order to be entitled to the proposed 2023 Final Dividend (subject to the approval by the Shareholders at the forthcoming AGM), holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 29 May 2024.

Publication of Annual Results and Annual Report

This announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cc-tp.com.cn>). The 2023 annual report of the Company containing all the information required by the applicable Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

Definitions

“AGM”	the annual general meeting of the Company for the year 2023 to be held on Friday, 17 May 2024 or any adjournment thereof
“Apparatus Company”	Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀表有限公司), a wholly-owned subsidiary of the Company
“ASBEs”	the Accounting Standards for Business Enterprises — Basic Standards (《企業會計準則—基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the application guidance for the ASBEs, the interpretation of ASBEs and other relevant requirements
“Articles” or “Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board”	the board of Directors of the Company

“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), previously known as Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company
“Chuncheng Biomass”	Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司), a wholly-owned subsidiary of the Company
“Company” or “we”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“heat service area”	gross floor areas covered by heat supply, including both the heat service area which we fully or partially charge for our heat fees
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing”	the listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Pipelines Company”	Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司), a wholly-owned subsidiary of the Company

“PRC”	The People’s Republic of China and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Reporting Period”	the period from 1 January 2023 to 31 December 2023
“RMB”	the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 per share
“Shareholder(s)”	the shareholder(s) of the Company
“Xixing Energy”	Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), previously known as Changchun FAW Sihuan Kinetic Company Limited* (長春一汽四環動能有限公司), a wholly-owned subsidiary of the Company
“%”	percent

By order of the Board
Jilin Province Chuncheng Heating Company Limited*
Wan Tao
Joint Company Secretary

Jilin, the PRC, 27 March 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Yang Zhongshi, Mr. Shi Mingjun, Mr. Xu Chungang and Mr. Li Yeji; and the independent non-executive Directors of the Company are Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.

* *For identification purpose only*